

Debtors' Statement of Disputed Issues

EXHIBIT F



**1 September 2004**

Dear Paul,

Following my letter of last week and our subsequent phone calls I now wish to confirm the senior management offer for the Matchbox product. This new proposal is to offer Delphi without prejudice to any future business: -

- An apply uplift, (MVA), of 20% to the actual material cost
- Pass through material uplift of 5%. (Pass through means material subject to no VA by Celestica).
- To set a ceiling on the cost where by Celestica will freeze the landed material cost at the level shown below.
- Future cost reduction achieved either by Celestica, or with the assistance from Delphi, will be reflected in the sell price one month after the reduction is achieved in the production.

I have used the same breakdown as you showed in your August 4 response to demonstrate the above proposal.

Material cost	\$57.17
Less cost of headphones	\$16.44
Material cost to CLS	\$40.73

MVA @ 20%	\$ 8.15
Rollback cost of headphones	\$16.44
Pass through charge 5%	\$ 0.82
External transit packing	\$ 0.10
Ex works price	\$66.24

## **NRE**

As per the attached appendix the NRE amount has significantly increases and some of these increases are down to Celestica. I have reviewed these in detail and would like to have your consideration to funding a total NRE budget of \$680768. Recovery would be as agreed with 50% being paid before volume production and the remaining 50% amortised over the first year production. With the forecasted volume showing 193K units the cost to be added to the unit price is \$1.76

### **Manufacturing Location**

To safe guard the production and ensure all the necessary resources are available to launch and stabilise the production we would like to propose building the first four months production at our Toronto facility. Thereafter and with complete transparency to Delphi, Celestica will move the production to Monterey. No financial penalty will be seen by Delphi during the time product is manufactured in Toronto. Although Delphi may see this as an eleventh hour decision there are actually a number of actual benefits, including:

- The design are based in Toronto
- The plastic supplier who is key is within one hour drive of Toronto
- The test development team is based in Toronto
- Our regional and corporate commodity teams are based in Toronto
- Our full engineering team are based in Toronto
- The Toronto manufacturing has state of the art equipment similar to that in Monterey
- Toronto is closer and easier for visit from Delphi personnel.

The Toronto team during your planned visit will present a detailed ramp plan.

I hope you see this as a continuing commitment from Celestica and await your response.

Regards,

Stewart Taylor  
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Celestica Limited

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## Appendix 1

### Matchbox Tooling NRE

	Original estimate	Current
Plastics date 15/10)	\$75,000 (two pieces)	\$321,500 (now 13 parts, delivery
Regulatory testing	\$15,000	\$15,000
Design	\$177,000	\$177,000
Others	\$40,000	
Production		
ICT fixture		\$12,124 (each)
Software development		\$13,481 (one off charge)
FVT Fixtures		\$48,000
FVT development		\$133,900
Solder Screen		\$7,650
Jigs and sets up		\$47370
Total	\$307,000	\$776,025

#### Proposal

Plastics	\$321,500
Regulatory testing	\$15,000
Design	\$177,000
Others	\$40,000
	\$553500

#### Production

2 ICT fixture	\$12,124 (each)
5 FVT Fixtures	\$48,000
Solder Screen	\$7,650
Jigs and I set up	\$47370
	\$127268
Total	\$680768